



Tswelopele Local Municipality  
(Registration number FS183)  
Financial statements  
for the year ended 30 June 2014

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **General Information**

---

### **Nature of business and principal activities**

Providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.

### **Business address**

Civic Centre  
Bosman Street  
Bultfontein  
9670

### **Postal address**

PO Box 3  
Bultfontein  
9670

### **Bankers**

ABSA Bank Limited

### **Auditors**

The Auditor-General of South Africa

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Index**

---

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

<b>Contents</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5 - 6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 11
Accounting Policies	12 - 40
Notes to the Financial Statements	41 - 77
Appendixes: (The appendixes do not form part of the financial statements and are unaudited)	
Appendix A: Schedule of External loans	78
Appendix B: Analysis of Property, Plant and Equipment	80
Appendix C: Segmental analysis of Property, Plant and Equipment	86
Appendix D: Segmental Statement of Financial Performance	87
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	88
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	89

# Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## Index

---

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### **Accounting Officer's Responsibilities and Approval**

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The financial statements set out on pages 5 to 77, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed on its behalf by:

---

**TL Mkhwane**  
**Municipal Manager**

# Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	12 848 020	14 110 511
Consumer debtors	4	24 501 433	7 681 295
Inventories	5	369 860	219 728
Receivables from exchange transactions	6	1 050 034	686 630
Receivables from non-exchange transactions	7	-	2 167 988
VAT receivable	8	772 684	801 756
		<b>39 542 031</b>	<b>25 667 908</b>
<b>Non-Current Assets</b>			
Biological assets that form part of an agricultural activity	9	1 184 674	1 131 476
Intangible assets	10	83 071	18 685
Investment property	11	23 876 000	23 876 000
Other financial assets	12	917 100	897 182
Property, plant and equipment	13	367 504 521	358 205 642
		<b>393 565 366</b>	<b>384 128 985</b>
<b>Total Assets</b>		<b>433 107 397</b>	<b>409 796 893</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	14	614 729	1 694 349
Consumer deposits	15	566 348	538 253
Finance lease obligation	16	387 460	636 931
Payables from exchange transactions	17	18 483 568	16 421 679
Provisions	18	380 000	380 000
Employee benefit obligation	19	721 000	703 000
Unspent conditional grants and receipts	20	1 679 915	-
VAT payable		2 091 920	51 439
		<b>24 924 940</b>	<b>20 425 651</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	14	11 237 529	11 848 214
Finance lease obligation	16	11 977	360 974
Provisions	18	29 076 202	25 374 078
		<b>40 325 708</b>	<b>37 583 266</b>
<b>Total Liabilities</b>		<b>65 250 648</b>	<b>58 008 917</b>
<b>Net Assets</b>		<b>367 856 749</b>	<b>351 787 976</b>

\* See Note 47

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Net Assets</b>			
Reserves			
Accumulated surplus		367 856 749	351 787 976
<b>Total Net Assets</b>		<b>367 856 749</b>	<b>351 787 976</b>

\* See Note 47

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Revenue</b>			
Service charges	22	46 529 615	32 202 116
Rental of facilities and equipment	23	290 488	882 534
Interest received (trading)		-	104 165
Licences and permits		5 505	1 350
Sale of game		-	158 522
Other income	24	1 339 241	1 064 852
Interest received - investment		1 458 803	426 734
Dividends received		51 104	258 565
Property rates	25	22 786 961	7 477 676
Government grants and subsidies	26	97 926 749	98 438 608
Fines		135 025	259 400
<b>Total revenue</b>		<b>170 523 491</b>	<b>141 274 522</b>
<b>Expenditure</b>			
Employee costs	27	(46 296 806)	(39 534 252)
Remuneration of councillors	28	(4 175 336)	(4 011 423)
Depreciation and amortisation	29	(20 093 597)	(19 329 788)
Finance costs	30	(4 617 098)	(4 022 685)
Movement in bad debt provision	31	(20 600 125)	(4 112 517)
Repairs and maintenance		(4 501 201)	(6 686 204)
Bulk purchases	32	(32 030 314)	(28 337 970)
General Expenses	33	(22 201 478)	(21 036 903)
<b>Total expenditure</b>		<b>(154 515 955)</b>	<b>(127 071 742)</b>
<b>Operating surplus</b>		<b>16 007 536</b>	<b>14 202 780</b>
Loss on disposal of assets and liabilities		(11 878)	(70 153)
Fair value adjustments - game	9	(84 191)	156 274
Fair value adjustments - shares	34	19 919	74 075
Gain on biological assets (game)	9	137 389	-
		<b>61 239</b>	<b>160 196</b>
<b>Surplus for the year</b>		<b>16 068 775</b>	<b>14 362 976</b>

\* See Note 47



## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2012</b>	<b>337 425 000</b>	<b>337 425 000</b>
Changes in net assets		
Surplus/(deficit) for the period	14 362 976	14 362 976
Total changes	14 362 976	14 362 976
Opening balance as previously reported	358 594 794	358 594 794
Adjustments		
Correction of errors (note 47)	(6 806 820)	(6 806 820)
<b>Restated* Balance at 01 July 2013 as restated*</b>	<b>351 787 974</b>	<b>351 787 974</b>
Changes in net assets		
Surplus/(deficit) for the period	16 068 775	16 068 775
Total changes	16 068 775	16 068 775
<b>Balance at 30 June 2014</b>	<b>367 856 749</b>	<b>367 856 749</b>

\* See Note 47

# Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		7 445 600	8 188 320
Sale of goods and services		48 383 017	33 517 080
Grants		92 915 050	98 295 029
Interest income		1 458 803	426 734
Dividends received		51 104	258 565
		150 253 574	140 685 728
<b>Payments</b>			
Employee costs		(50 454 124)	(43 464 675)
Suppliers		(64 824 720)	(63 916 610)
Finance costs		(4 453 824)	(3 728 116)
		(119 732 668)	(111 109 401)
<b>Net cash flows from operating activities</b>	<b>37</b>	<b>30 520 906</b>	<b>29 576 327</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(29 400 049)	(30 284 190)
Proceeds from sale of property, plant and equipment	13	(191)	155 123
Purchase of other intangible assets	10	(68 500)	(240 902)
Proceeds from sale of financial assets		1	-
Proceeds from sale of biological assets that form part of an agricultural activity	9	137 389	-
<b>Net cash flows from investing activities</b>		<b>(29 331 350)</b>	<b>(30 369 969)</b>
<b>Cash flows from financing activities</b>			
Movement in borrowings		(1 690 305)	491 620
Finance lease payments		(761 742)	(807 221)
<b>Net cash flows from financing activities</b>		<b>(2 452 047)</b>	<b>(315 601)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1 262 491)</b>	<b>(1 109 243)</b>
Cash and cash equivalents at the beginning of the year		14 110 511	15 219 754
<b>Cash and cash equivalents at the end of the year</b>	<b>3</b>	<b>12 848 020</b>	<b>14 110 511</b>

\* See Note 47

# Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	7 656 500	27 014 224	<b>34 670 724</b>	46 529 615	<b>11 858 891</b>	
Rental of facilities and equipment	625 200	(309 000)	<b>316 200</b>	290 488	<b>(25 712)</b>	
Interest received (trading)	-	600 000	<b>600 000</b>	-	<b>(600 000)</b>	
Licences and permits	1 500	2 050	<b>3 550</b>	5 505	<b>1 955</b>	
Other income - (rollup)	784 000	(76 620)	<b>707 380</b>	1 339 241	<b>631 861</b>	
Interest received - investment	420 000	302 000	<b>722 000</b>	1 458 803	<b>736 803</b>	
Dividends received	100 000	-	<b>100 000</b>	51 104	<b>(48 896)</b>	
<b>Total revenue from exchange transactions</b>	<b>9 587 200</b>	<b>27 532 654</b>	<b>37 119 854</b>	<b>49 674 756</b>	<b>12 554 902</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	-	3 485 455	<b>3 485 455</b>	22 786 961	<b>19 301 506</b>	
Government grants & subsidies	66 298 999	(300 000)	<b>65 998 999</b>	97 926 749	<b>31 927 750</b>	

##### Transfer revenue

Fines	100 000	-	<b>100 000</b>	135 025	<b>35 025</b>	
-------	---------	---	----------------	---------	---------------	--

<b>Total revenue from non-exchange transactions</b>	<b>66 398 999</b>	<b>3 185 455</b>	<b>69 584 454</b>	<b>120 848 735</b>	<b>51 264 281</b>	
---	-------------------	------------------	-------------------	--------------------	-------------------	--

<b>Total revenue</b>	<b>75 986 199</b>	<b>30 718 109</b>	<b>106 704 308</b>	<b>170 523 491</b>	<b>63 819 183</b>	
----------------------	-------------------	-------------------	--------------------	--------------------	-------------------	--

#### Expenditure

Employee costs	(44 184 164)	3 293 937	<b>(40 890 227)</b>	(46 296 806)	<b>(5 406 579)</b>	
Remuneration of councillors	(4 353 960)	318 993	<b>(4 034 967)</b>	(4 175 336)	<b>(140 369)</b>	
Depreciation and amortisation	-	-	-	(20 093 597)	<b>(20 093 597)</b>	
Finance costs	(2 109 688)	-	<b>(2 109 688)</b>	(4 617 098)	<b>(2 507 410)</b>	
Debt impairment	(2 500 500)	-	<b>(2 500 500)</b>	(20 600 125)	<b>(18 099 625)</b>	
Repairs and maintenance	(6 020 300)	658 630	<b>(5 361 670)</b>	(4 501 201)	<b>860 469</b>	
Bulk purchases	(28 187 500)	(2 716 296)	<b>(30 903 796)</b>	(32 030 314)	<b>(1 126 518)</b>	
General Expenses	(17 806 546)	(6 676 922)	<b>(24 483 468)</b>	(22 201 478)	<b>2 281 990</b>	

<b>Total expenditure</b>	<b>(105 162 658)</b>	<b>(5 121 658)</b>	<b>(110 284 316)</b>	<b>(154 515 955)</b>	<b>(44 231 639)</b>	
--------------------------	----------------------	--------------------	----------------------	----------------------	---------------------	--

<b>Operating surplus</b>	<b>(29 176 459)</b>	<b>25 596 451</b>	<b>(3 580 008)</b>	<b>16 007 536</b>	<b>19 587 544</b>	
--------------------------	---------------------	-------------------	--------------------	-------------------	-------------------	--

Loss on disposal of assets and liabilities	-	-	-	(11 878)	<b>(11 878)</b>	
--	---	---	---	----------	-----------------	--

Gain on fair value adjustment	-	-	-	(84 191)	<b>(84 191)</b>	
-------------------------------	---	---	---	----------	-----------------	--

Fair value adjustments	-	-	-	19 919	<b>19 919</b>	
------------------------	---	---	---	--------	---------------	--

Gain on biological assets and agricultural produce	-	-	-	137 389	<b>137 389</b>	
--	---	---	---	---------	----------------	--

	-	-	-	<b>61 239</b>	<b>61 239</b>	
--	---	---	---	---------------	---------------	--

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Surplus before taxation</b>	<b>(29 176 459)</b>	<b>25 596 451</b>	<b>(3 580 008)</b>	<b>16 068 775</b>	<b>19 648 783</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(29 176 459)</b>	<b>25 596 451</b>	<b>(3 580 008)</b>	<b>16 068 775</b>	<b>19 648 783</b>	

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1. Presentation of Financial Statements**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### **1.1 Significant judgements and sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### **Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### **Allowance for slow moving, damaged and obsolete stock**

An allowance is recognised to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.1 Significant judgements and sources of estimation uncertainty (continued)**

#### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

#### **Useful lives of waste and water network and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### **Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.1 Significant judgements and sources of estimation uncertainty (continued)**

#### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### **1.2 Biological assets that form part of an agricultural activity**

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

### **1.3 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.3 Investment property (continued)**

#### **Fair value**

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

### **1.4 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.



## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Accounting Policies

---

#### 1.4 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land and buildings	
• Land	Indefinite
• Buildings	30 - 45 years
Leased assets	5 years
Furniture and fixtures	6 years
IT equipment	3 years
Infrastructure	
• Electricity	20 years
• Roads and paving	15 - 30 years
• Sewerage	20 - 30 years
• Water	20 - 30 years
Other property, plant and equipment	10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.4 Property, plant and equipment (continued)**

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### **1.5 Intangible assets**

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

# Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.5 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Licenses	1 year
Computer software	3 years
Website	Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

### 1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

## Accounting Policies

---

### 1.6 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

## **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### **Accounting Policies**

---

#### **1.6 Financial instruments (continued)**

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### **Initial recognition**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

## **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### **Accounting Policies**

---

#### **1.6 Financial instruments (continued)**

##### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.6 Financial instruments (continued)**

#### **Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### **Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### **Reclassification**

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

## **Accounting Policies**

---

### **1.6 Financial instruments (continued)**

#### **Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### **Impairment and uncollectibility of financial assets**

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.



## **Accounting Policies**

---

### **1.6 Financial instruments (continued)**

#### **Derecognition**

##### **Financial assets**

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### **Financial liabilities**

## **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### **Accounting Policies**

---

#### **1.6 Financial instruments (continued)**

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### **Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

#### **1.7 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

## **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### **Accounting Policies**

---

#### **1.7 Leases (continued)**

##### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

##### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

##### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

##### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### **Accounting Policies**

---

#### **1.8 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **1.9 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.9 Impairment of cash-generating assets (continued)**

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### **1.10 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.10 Impairment of non-cash-generating assets (continued)**

- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### **1.11 Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### **Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

## Accounting Policies

---

### 1.11 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.12 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.



# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.12 Provisions and contingencies (continued)**

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### **1.13 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

## **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### **Accounting Policies**

---

#### **1.13 Revenue from exchange transactions (continued)**

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

##### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

##### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.13 Revenue from exchange transactions (continued)**

#### **Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### **1.14 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Rates, including collection charges and penalties interest**

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

## **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### **Accounting Policies**

---

#### **1.14 Revenue from non-exchange transactions (continued)**

##### **Fines**

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

##### **Levies**

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.14 Revenue from non-exchange transactions (continued)**

#### **Government grants**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### **Other grants and donations**

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### **1.15 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.16 Borrowing costs**

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.17 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.18 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.19 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.20 Irregular expenditure**

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

## **Accounting Policies**

---

### **1.21 Use of estimates**

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### **1.22 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.23 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The municipality makes use of conservative budgeting techniques and can be seen as the main reason for the material differences between actual and expected cash flows as per page 12.

Comparative information is not required.

### **1.24 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

## **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### **Accounting Policies**

---

#### **1.24 Related parties (continued)**

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

#### **1.25 Commitments**

'Commitment' may be referred to as the intention to commit to an outflow from the municipality of resources embodying economic benefits.

Generally, a commitment arises when a decision is made to incur a liability in the form of a purchase contract (or similar documentation). Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

The municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.



## **Tswelopele Local Municipality**

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### **Accounting Policies**

---

#### **1.26 Events after the reporting date**

Events after the reporting date are those that occur between the end of the reporting period and when the financial statements are authorized for issue.

Events after the end of reporting period may be classified into two types:

Adjusting Events - Those events that provide further evidence about conditions that existed at the end of reporting period.

Non-Adjusting Events - Those events that reflect conditions that arose after the end of reporting period.

If any events occur after the end of the reporting period that provide further evidence of conditions that existed at the end of reporting period (i.e. Adjusting Events), then the financial statements must be adjusted accordingly.

The municipality does not adjust the financial statements in respect of those events after the end of reporting period that reflect conditions that arose after the end of reporting period (i.e. Non-Adjusting Events).

The nature and estimate of the financial impact of material non-adjusting events shall be disclosed in the financial statements.

Non-Adjusting Events are considered material if they could influence the economic and financial decisions of the users of financial statements.

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 2. New standards and interpretations

##### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Low
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Low
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Low
• GRAP 12 (as revised 2012): Inventories	01 April 2013	Low
• GRAP 13 (as revised 2012): Leases	01 April 2013	Low
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	Low
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Low
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Low
• IGRAP16: Intangible assets website costs	01 April 2013	Low
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	Low

##### 2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2016	Low
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Low
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Low
• GRAP 107: Mergers	01 April 2014	Low
• GRAP 20: Related parties	01 April 2014	Low
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	Low
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	Low

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

---

#### 2. New standards and interpretations (continued)

• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	Low
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	Low
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	Low
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	Low
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	Low
• GRAP32: Service Concession Arrangements: Grantor	01 April 2015	Low
• GRAP108: Statutory Receivables	01 April 2015	
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	Low

#### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4 477 781	2 547 586
Short-term deposits	8 370 239	11 562 925
	<b>12 848 020</b>	<b>14 110 511</b>

#### Limited cession over cash and cash equivalents

Investment account 9108352550	1 520 000	-
-------------------------------	-----------	---

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - Cheque account - 810142227	4 438 175	2 543 746	5 718 004	4 477 781	2 543 746	5 718 004
ABSA Bank - Mone market account	1 620 042	1 540 638	4 473 716	1 620 042	1 540 638	4 473 716
Nedbank - 32 day notice account	-	22 288	5 028 034	-	22 288	5 028 034
FNB - Investment account	-	10 000 000	-	-	10 000 000	-
ABSA Bank - 32 day notice account	113 691	-	-	113 691	-	-
ABSA Bank - 32 day notice account	4 087 093	-	-	4 087 093	-	-
ABSA Bank - Investment account - 9291998227	2 549 414	-	-	2 549 414	-	-
<b>Total</b>	<b>12 808 415</b>	<b>14 106 672</b>	<b>15 219 754</b>	<b>12 848 021</b>	<b>14 106 672</b>	<b>15 219 754</b>

#### 4. Consumer debtors

##### Gross balances

Rates	22 020 783	4 861 478
Electricity	2 425 000	2 642 979
Water	23 241 188	6 783 161
Sewerage	12 271 110	9 969 928
Refuse	8 616 809	6 976 233
Housing rental	1 400 652	1 335 028
	<b>69 975 542</b>	<b>32 568 807</b>

##### Less: Allowance for impairment

Rates	(10 259 145)	(4 741 525)
Electricity	(1 548 732)	(265 160)
Water	(11 999 607)	(4 871 212)
Sewerage	(12 089 678)	(8 414 142)
Refuse	(8 526 616)	(5 533 952)
Housing rental	(1 050 331)	(1 061 521)
	<b>(45 474 109)</b>	<b>(24 887 512)</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>4. Consumer debtors (continued)</b>		
<b>Net balance</b>		
Rates	11 761 638	119 953
Electricity	876 268	2 377 819
Water	11 241 581	1 911 949
Sewerage	181 432	1 555 786
Refuse	90 193	1 442 281
Housing rental	350 321	273 507
	<b>24 501 433</b>	<b>7 681 295</b>
<b>Rates</b>		
Current (0 -30 days)	137 126	69 741
31 - 60 days	129 477	62 760
61 - 90 days	121 534	60 488
91 - 120 days	118 904	58 901
> 120 days	21 513 742	4 609 588
Impairment	(10 259 145)	(4 741 525)
	<b>11 761 638</b>	<b>119 953</b>
<b>Electricity</b>		
Current (0 -30 days)	233 604	92 405
31 - 60 days	260 631	40 463
61 - 90 days	71 563	22 339
91 - 120 days	68 372	16 704
> 120 days	1 790 830	2 471 068
Impairment	(1 548 732)	(265 160)
	<b>876 268</b>	<b>2 377 819</b>
<b>Water</b>		
Current (0 -30 days)	13 242 723	213 371
31 - 60 days	1 893 037	206 029
61 - 90 days	299 421	195 643
91 - 120 days	153 241	188 465
> 120 days	7 652 766	5 979 653
Impairment	(11 999 607)	(4 871 212)
	<b>11 241 581</b>	<b>1 911 949</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>4. Consumer debtors (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	205 000	252 046
31 - 60 days	200 566	243 291
61 - 90 days	199 174	240 254
91 - 120 days	196 555	240 962
> 120 days	11 469 815	8 993 375
Impairment	(12 089 678)	(8 414 142)
	<b>181 432</b>	<b>1 555 786</b>
<b>Refuse</b>		
Current (0 -30 days)	147 935	163 262
31 - 60 days	145 248	158 774
61 - 90 days	143 061	159 538
91 - 120 days	139 441	154 898
> 120 days	8 041 124	6 339 761
Impairment	(8 526 616)	(5 533 952)
	<b>90 193</b>	<b>1 442 281</b>
<b>Housing rental</b>		
Current (0 -30 days)	4 294	3 642
31 - 60 days	4 294	2 809
61 - 90 days	61 539	2 976
91 - 120 days	4 613	3 143
> 120 days	1 325 912	1 322 458
Impairment	(1 050 331)	(1 061 521)
	<b>350 321</b>	<b>273 507</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>4. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	737 392	651 977
31 - 60 days	643 855	667 002
61 - 90 days	534 138	592 785
> 90 days	29 143 336	26 736 522
	<b>31 058 721</b>	<b>28 648 286</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	212 359	65 160
31 - 60 days	216 689	63 557
61 - 90 days	117 041	32 288
> 90 days	9 131 484	1 465 222
	<b>9 677 573</b>	<b>1 626 227</b>
<b>National and provincial government</b>		
Current (0 -30 days)	13 019 879	16 390
31 - 60 days	1 771 657	11 504
61 - 90 days	244 062	7 521
> 90 days	705 970	124 947
	<b>15 741 568</b>	<b>160 362</b>
<b>Total</b>		
Consumer debtors	58 569 703	24 887 512
	58 569 703	24 887 512
Less: Allowance for impairment	(34 068 270)	(17 206 217)
	<b>24 501 433</b>	<b>7 681 295</b>
<b>Less: Provision for debt impairment</b>		
Consumer debtors	(45 474 109)	(24 887 512)
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(24 887 512)	(25 278 466)
Contributions to allowance	(20 600 125)	(4 112 517)
Debt impairment written off against allowance	13 528	4 503 471
	<b>(45 474 109)</b>	<b>(24 887 512)</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 4. Consumer debtors (continued)

##### Receivables from exchange and non-exchange transactions

###### Exchange transactions

Electricity	2 642 979	2 132 672
Water	6 783 161	6 494 558
Sewerage	9 969 928	9 287 487
Refuse	6 895 718	6 684 078
Housing rental	1 335 028	1 473 325
	<b>27 626 814</b>	<b>26 072 120</b>

###### Non-exchange transactions

Rates	4 861 478	5 572 122
-------	-----------	-----------

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 31). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

The municipality's impairment methodology is based on the assumptions listed below.

Debtor types to be fully impaired:

1. Non-indigents, schools, industrial, municipal, business, government, farms, hospital, church, small businesses - Council approved write-offs
2. Indigents - Impair all ageing buckets

Debtor types where accounts older than 90 days were tested for recoverability:

Non-indigents, schools, industrial, municipal, business, government, farms, hospital, church, small businesses

The municipality's discounting methodology is based on the assumptions listed below.

The ability to pay is determined by allocating a weight to payments made in different months. Recent month's payments are assigned a higher weight as the trend is more likely to continue than payments more than 12 months ago.

The discount rate is linked to the interest payable on the DBSA loans which are the major source of credit funding of the municipality.



## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 5. Inventories

Water	11 738	27 286
Fuel (Diesel)	179 066	42 820
Electrical	159 954	91 164
Water equipment	8 607	53 646
Mechanical	10 495	4 812
	<b>369 860</b>	<b>219 728</b>

#### 6. Receivables from exchange transactions

Prepayments	538 260	156 149
Other receivables	511 774	530 481
	<b>1 050 034</b>	<b>686 630</b>

#### 7. Receivables from non-exchange transactions

Government grants and subsidies - Lotto Grant	-	2 167 988
---	---	-----------

#### 8. VAT receivable

VAT receivable	772 684	801 756
----------------	---------	---------

#### 9. Biological assets that form part of an agricultural activity

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - game	1 184 674	-	1 184 674	1 131 476	-	1 131 476

#### Reconciliation of biological assets that form part of an agricultural activity - 2014

	Opening balance	Gains or losses arising from changes in fair value	Other changes, movements	Total
Biological assets - game	1 131 476	(84 191)	137 389	1 184 674

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 9. Biological assets that form part of an agricultural activity (continued)

##### Reconciliation of biological assets that form part of an agricultural activity - 2013

	Opening balance	Gains or losses arising from changes in fair value	Other changes, movements	Total
Biological assets - game	816 680	156 274	158 522	1 131 476

##### Non - Financial information

##### Quantities of each biological asset

Blesbok	55	39
Oryx	48	40
Kudu	20	20
Lechwe	3	4
Impala	20	14
Red Hartebeest	10	7
Springbok	267	281
Black Springbok	21	20
Black Wildebeest	149	102
Ostrich	13	15
Zebra	11	10
Horse	3	2
	<b>620</b>	<b>554</b>

##### Methods and assumptions used in determining fair value

The latest bid prices from game auctions were used as fair values.

#### 10. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licences	699 439	(694 860)	4 579	699 439	(690 746)	8 693
Computer software	16 681	(16 681)	-	16 681	(16 681)	-
Website	78 492	-	78 492	9 992	-	9 992
<b>Total</b>	<b>794 612</b>	<b>(711 541)</b>	<b>83 071</b>	<b>726 112</b>	<b>(707 427)</b>	<b>18 685</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 10. Intangible assets (continued)

##### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Licenses	8 693	-	(4 114)	4 579
Website	9 992	68 500	-	78 492
	<b>18 685</b>	<b>68 500</b>	<b>(4 114)</b>	<b>83 071</b>

##### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Licenses	764	240 902	(232 973)	8 693
Computer software	1 335	-	(1 335)	-
Website	9 992	-	-	9 992
	<b>12 091</b>	<b>240 902</b>	<b>(234 308)</b>	<b>18 685</b>

#### 11. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23 876 000	-	23 876 000	23 876 000	-	23 876 000

##### Reconciliation of investment property - 2014

	Opening balance	Additions	Other changes, movements	Fair value adjustments	Total
Investment property	23 876 000	-	-	-	23 876 000

##### Reconciliation of investment property - 2013

	Opening balance	Additions	Other changes, movements	Fair value adjustments	Total
Investment property	23 876 000	-	-	-	23 876 000

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 11. Investment property (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

##### Details of valuation

Unless there is an indication of significant changes in the fair value of its investment property the municipality revalues its investment property every four years when the valuation roll is updated .

The effective date of the revaluations was 29 June 2012. Revaluations were performed by an independent valuer, Mr R Pretorius [Quantity Surveyor, Professional Associated Valuer], of Modisenyane Property Consultants CC. Pretorius is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Amounts recognised in surplus and deficit for the year.

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

#### 12. Other financial assets

##### Designated at fair value

Unlisted shares	917 100	897 182
49 383 shares held in Senwes Limited		
75 732 shares held in Senwesbel Limited		

##### Non-current assets

Designated at fair value	917 100	897 182
--------------------------	---------	---------

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand 2014 2013

#### 13. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	25 941 254	(1 679 397)	24 261 857	25 941 254	(1 119 598)	24 821 656
Buildings	104 061 121	(38 977 050)	65 084 071	99 836 709	(33 713 748)	66 122 961
Leasehold property	2 903 332	(2 637 083)	266 249	2 865 475	(2 293 341)	572 134
Furniture and fixtures	1 703 784	(1 021 068)	682 716	1 268 348	(842 856)	425 492
IT equipment	151 696	(72 917)	78 779	57 204	(31 787)	25 417
Infrastructure	340 845 073	(97 297 784)	243 547 289	340 845 073	(84 105 207)	256 739 866
Other property, plant and equipment	11 222 557	(9 597 984)	1 624 573	10 583 015	(9 098 874)	1 484 141
Capital work in progress	31 958 987	-	31 958 987	8 013 975	-	8 013 975
<b>Total</b>	<b>518 787 804</b>	<b>(151 283 283)</b>	<b>367 504 521</b>	<b>489 411 053</b>	<b>(131 205 411)</b>	<b>358 205 642</b>

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	24 821 656	-	-	-	(559 799)	24 261 857
Buildings	66 122 961	-	-	4 224 412	(5 263 302)	65 084 071
Leasehold property	572 134	37 857	-	-	(343 742)	266 249
Furniture and fixtures	425 492	435 244	-	-	(178 020)	682 716
IT equipment	25 417	100 728	(4 283)	-	(43 083)	78 779
Infrastructure	256 739 866	-	-	-	(13 192 577)	243 547 289
Other property, plant and equipment	1 484 141	656 796	(7 404)	-	(508 960)	1 624 573
Capital work in progress	8 013 975	28 169 424	-	(4 224 412)	-	31 958 987
	<b>358 205 642</b>	<b>29 400 049</b>	<b>(11 687)</b>	<b>-</b>	<b>(20 089 483)</b>	<b>367 504 521</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 13. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	25 381 455	-	-	-	(559 799)	24 821 656
Land and buildings	61 924 328	162 649	-	8 708 822	(4 672 838)	66 122 961
Leasehold property	830 700	86 060	-	-	(344 626)	572 134
Furniture and fixtures	421 678	152 933	-	-	(149 119)	425 492
IT equipment	41 829	5 999	(3 291)	-	(19 120)	25 417
Infrastructure	187 671 474	-	-	81 872 521	(12 804 129)	256 739 866
Other property, plant and equipment	1 289 411	962 565	(221 985)	-	(545 850)	1 484 141
Capital work in progress	69 681 334	28 913 984	-	(90 581 343)	-	8 013 975
	<b>347 242 209</b>	<b>30 284 190</b>	<b>(225 276)</b>	<b>-</b>	<b>(19 095 481)</b>	<b>358 205 642</b>

Included in the cost of land is the capitalised rehabilitation costs relating to a borrow pit and two landfill sites which are situated in Bultfontein farm 396 and Kameeldoorn 35.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### 14. Borrowings

##### At amortised cost

Annuity loans	11 852 258	13 542 563
---------------	------------	------------

The annuity loans comprise two DBSA loans. The endowments are made on a six-monthly basis. The last loan will be redeemed on 31 December 2024. The loans carry interest at 11% and 14% per annum respectively.

##### Non-current liabilities

At amortised cost	11 237 529	11 848 214
-------------------	------------	------------

##### Current liabilities

At amortised cost	614 729	1 694 349
-------------------	---------	-----------

#### 15. Consumer deposits

Electricity	333 056	315 745
Water	233 292	222 508
	<b>566 348</b>	<b>538 253</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	433 345	810 002
- in second to fifth year inclusive	12 450	420 220
	445 795	1 230 222
less: future finance charges	(46 359)	(216 559)
<b>Present value of minimum lease payments</b>	<b>399 436</b>	<b>1 013 663</b>
<b>Present value of minimum lease payments due</b>		
- within one year	387 460	636 931
- in second to fifth year inclusive	11 976	376 732
	<b>399 436</b>	<b>1 013 663</b>
Non-current liabilities	11 977	360 974
Current liabilities	387 460	636 931
	<b>399 437</b>	<b>997 905</b>
<b>17. Payables from exchange transactions</b>		
Trade payables	6 620 668	3 004 633
Payments received in advanced	2 742 510	2 712 020
Accrued leave pay	4 688 503	3 965 169
Accrued bonus	983 727	801 645
Deposits received	2 000	2 300
Cash suspense accounts	1 369 181	742 811
Other payables	1 906 488	5 193 101
Retention payables	170 491	-
	<b>18 483 568</b>	<b>16 421 679</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 18. Provisions

##### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Actuarial profit/loss	Total
Environmental rehabilitation	10 259 078	1 664 124	-	-	11 923 202
Medical contribution provision	12 010 000	1 698 000	(544 000)	1 230 000	14 394 000
Long service awards provision	3 485 000	640 000	(276 000)	(710 000)	3 139 000
	<b>25 754 078</b>	<b>4 002 124</b>	<b>(820 000)</b>	<b>520 000</b>	<b>29 456 202</b>

##### Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	9 353 592	905 486	-	-	10 259 078
Medical contribution provision	9 966 000	1 389 000	(430 000)	1 085 000	12 010 000
Long service awards provision	3 612 000	701 000	(328 000)	(500 000)	3 485 000
	<b>22 931 592</b>	<b>2 995 486</b>	<b>(758 000)</b>	<b>585 000</b>	<b>25 754 078</b>

Non-current liabilities	29 076 202	25 374 078
Current liability (long service awards)	380 000	380 000
	<b>29 456 202</b>	<b>25 754 078</b>

##### Environmental rehabilitation provision



## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 18. Provisions (continued)

##### **Borrow pits**

The provision relates to the estimated future rehabilitation costs relating to two existing open borrow pits in Bultfontein.

The total area of the borrow pits to be rehabilitated is 9 525 square meters.

The expected date of rehabilitation is in 2032 and therefore the expected useful life is estimated at 21 years.

The useful life and expected date of rehabilitation could decrease depending on the extent of material needed for upcoming developments.

The current weighted average cost of borrowings of the municipality is 11% and this percentage was used as discount factor in future rehabilitation costs.

##### **Landfill sites**

The provision relates to the estimated future rehabilitation costs relating to two existing landfill sites in Bultfontein and Hoopstad respectively.

The expected date of rehabilitation is in 2032 and therefore the expected useful life is estimated at 21 years.

It assumed that the current population growth of the town and therefore the dumping rate will not significantly change over the useful life of the landfill sites.

The current weighted average cost of borrowings of the municipality is 11% and this percentage was used as discount factor in future rehabilitation costs.

The evaluation of rehabilitation procedures and costs was performed by NEP Consulting Engineers.

##### **Employee benefit cost provision**

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand

2014

2013

#### 18. Provisions (continued)

The medical contribution and long service provisions are actuarial calculations which were performed by ZAQ.

ZAQ is an actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes.

Their team has done a large number of these calculations for private and public sector organizations.

Members of their executive committee include:

- Niel Fourie FASSA, CERA
- Pieter Wasserfall B-Comm Actuarial Science
- Dennis De Wet B-Comm (Hons) Financial Analysis

#### Long service award liability

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The awarded leave days have been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working day year.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. The calculation also allows for mortality, retirements and withdrawals from service.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

The two most important financial variables used in the valuation are the discount rate and salary inflation.

#### Post-employment medical aid liabilities

The liability relates to future medical expenses which will be incurred by the municipality on behalf of retired employees.

The future cash flows will continue until the mortality of all members. The mortality is therefore the

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 18. Provisions (continued)

uncertainty relating to the provision.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the date of calculation.

The calculation also allows for mortality. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement.

Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. It is also assumed that all active members will remain on the same medical aid option.

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets had been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates.

#### 19. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

##### Carrying value

Post-employment medical aid liability	721 000	703 000
---------------------------------------	---------	---------

#### 20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

Skills Development Grant	117 244	-
Free State Provincial Grant	1 557 671	-
Study scheme grant	5 000	-
	<b>1 679 915</b>	<b>-</b>

See note 26 for reconciliation of grants from National/Provincial Government.

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 21. Revenue

Service charges	46 529 615	32 202 116
Rental of facilities and equipment	290 488	882 534
Interest received (trading)	-	104 165
Licences and permits	5 505	1 350
Sale of game	-	158 522
Other income	1 339 241	1 064 852
Interest received - investment	1 458 803	426 734
Dividends received	51 104	258 565
Property rates	22 786 961	7 477 676
Government grants and subsidies	97 926 749	98 438 608
Fines	135 025	259 400
	<b>170 523 491</b>	<b>141 274 522</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	46 529 615	32 202 116
Rental of facilities and equipment	290 488	882 534
Interest received (trading)	-	104 165
Licences and permits	5 505	1 350
Sale of game	-	158 522
Other income - (rollup)	1 339 241	1 064 852
Interest received - investment	1 458 803	426 734
Dividends received	51 104	258 565
	<b>49 674 756</b>	<b>35 098 838</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

##### Taxation revenue

Property rates	22 786 961	7 477 676
----------------	------------	-----------

##### Transfer revenue

Government grants & subsidies	97 926 749	98 438 608
Fines	135 025	259 400

**120 848 735 106 175 684**

#### 22. Service charges

Sale of electricity	19 981 640	19 645 964
Sale of water	17 809 128	4 915 378
Sewerage and sanitation charges	5 231 859	4 925 589
Refuse removal	3 506 988	2 715 185
	<b>46 529 615</b>	<b>32 202 116</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>23. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	281 398	878 956
Rental of equipment	9 090	3 578
	<b>290 488</b>	<b>882 534</b>
<b>24. Other income</b>		
Building plan fees	1 100	-
Insurance revenue	51 438	-
Commission received	91 442	195 485
Sundry income	61 445	97 298
Grave fees	147 271	144 134
Connection fees	811 954	492 671
Gravel sales	14 304	14 151
Building plan fees	20 321	20 603
Late payment penalty	122 124	74 140
Opening of graves	13 402	21 466
Special meter readings	4 440	4 904
	<b>1 339 241</b>	<b>1 064 852</b>
<b>25. Property rates</b>		
<b>Rates received</b>		
State	4 299 937	1 119 537
Property rates	18 487 024	6 358 139
	<b>22 786 961</b>	<b>7 477 676</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>26. Government grants and subsidies</b>		
Equitable share	61 908 999	62 058 000
Municipal Infrastructure Grant	28 809 000	30 344 000
Municipal Systems Improvement Grant	890 000	800 000
Financial Management Grant	1 650 000	1 500 000
Lotto Grant	-	607 650
Free State Provincial Grant	3 442 330	1 746 491
District Municipality Grant	50 000	50 000
EPWP Government Grant (operating)	1 042 030	1 000 000
Sports and recreation grant	72 867	-
Skills Development Grant	61 523	332 467
	<b>97 926 749</b>	<b>98 438 608</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of which is funded from the grant.

#### Municipal Infrastructure Grant

Current-year receipts	28 809 000	30 344 000
Conditions met - transferred to revenue	(28 809 000)	(30 344 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant is utilised to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure providing basic services for the benefit of poor households. The grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.

#### Skills Development Grant

Current-year receipts	178 768	216 825
Conditions met - transferred to revenue	(61 524)	115 643
Other	-	(332 468)
	<b>117 244</b>	-

Conditions still to be met - remain liabilities (see note 20).

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>26. Government grants and subsidies (continued)</b>		
A workplace skills plan and training report must be submitted to LGSETA in compliance with the Skills Development Act before the unspent amount will be transferred.		
<b>Lotto Grant</b>		
Balance unspent at beginning of year	-	607 650
Current-year receipts	-	(607 650)
	-	-
Conditions still to be met - remain liabilities (see note 20).		
The grant was utilised in the construction of an athletics track in Tikwana.		
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(890 000)	(800 000)
	-	-
Conditions still to be met - remain liabilities (see note 20).		
<b>Finance Management Grant</b>		
Current-year receipts	1 650 000	1 500 000
Conditions met - transferred to revenue	(1 650 000)	(1 500 000)
	-	-
Conditions still to be met - remain liabilities (see note 20).		
<b>Free State Provincial Grant</b>		
Current-year receipts	5 000 000	1 746 491
Conditions met - transferred to revenue	(3 442 329)	(1 746 491)
	<b>1 557 671</b>	-
Conditions still to be met - remain liabilities (see note 20).		
The grant was utilised in the fencing of a cemetery in the municipal area.		
<b>COGTA grant</b>		
Current-year receipts	-	8 414 652
Conditions met - transferred to revenue	-	(8 414 652)

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 26. Government grants and subsidies (continued)

	-	-
--	---	---

Conditions still to be met - remain liabilities (see note 20).

##### District Municipality Grant

Current-year receipts	50 000	50 000
Conditions met - transferred to revenue	(50 000)	(50 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was received to assist the municipality in the redemption of their DBSA loan.

##### EPWP government grant (operating)

Current-year receipts	1 042 030	1 000 000
Conditions met - transferred to revenue	(1 042 030)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

Included in the current year receipts in the fair value of an asset (R 42 030) donated by the EPWP. The grant was received to assist the municipality in job creation.

##### Sports and recreation grant

Current-year receipts	83 068	-
Conditions met - transferred to revenue	(83 068)	-
	-	-

Conditions still to be met - remain liabilities (see note 20).

Provide explanations of conditions still to be met and other relevant information.

##### Study scheme grant

Current-year receipts	5 000	-
-----------------------	-------	---

Conditions still to be met - remain liabilities (see note 20).



## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>27. Employee related costs</b>		
Basic	27 939 566	24 901 355
Medical aid - company contributions	2 953 183	3 617 690
UIF	283 727	254 604
SDL	382 375	335 108
Leave pay provision charge	2 830 395	1 724 178
Other short term costs	16 752	15 889
Defined contribution plans	4 893 582	4 498 031
Travel, motor car, accommodation, subsistence and other allowances	3 027 746	2 532 249
Overtime payments	3 157 249	2 050 850
Long-service awards	380 000	(416 000)
Housing benefits and allowances	14 782	14 782
Cellphone allowances	101 937	-
Termination benefits	315 512	5 516
	<b>46 296 806</b>	<b>39 534 252</b>

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

#### Remuneration of Section 57 Managers

##### Remuneration of TL Mkhwane (Municipal Manager)

Annual remuneration	902 643	207 000
Car allowance	101 947	23 927
Contributions to UIF, medical and pension funds	352 226	75 342
Other bonuses	55 500	-
	<b>1 412 316</b>	<b>306 269</b>

##### Remuneration of SS Rabanye (Executive Manager Corporate Services)

Annual remuneration	626 839	537 089
Car allowance	99 249	87 594
Contributions to UIF, medical and pension funds	363 002	185 355
Other bonuses	50 200	40 250
	<b>1 139 290</b>	<b>850 288</b>

##### Remuneration of NL Moletsane (Chief Financial Officer)

Annual remuneration	744 585	174 000
Car allowance	119 995	27 164
Contributions to UIF, medical and pension funds	171 278	47 640
	<b>1 035 858</b>	<b>248 804</b>

##### Remuneration of BP Dikoko (Executive Manager Technical Services)

Annual remuneration	642 172	153 000
Car allowance	77 571	22 250

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>27. Employee related costs (continued)</b>		
Contributions to UIF, medical and pension funds	232 528	51 462
Other bonuses	38 550	-
	<b>990 821</b>	<b>226 712</b>
<b>Remuneration ZK Tindleni (Executive Manager Community Services)</b>		
Annual remuneration	627 121	150 000
Car allowance	100 812	25 637
Contributions to UIF, medical and pension funds	242 201	62 463
Other bonuses	37 688	-
	<b>1 007 822</b>	<b>238 100</b>
<b>28. Remuneration of councillors</b>		
Councillors	3 496 345	3 368 179
Councillors' pension contribution	477 499	474 232
Councillors' contribution to medical aid	201 492	169 012
	<b>4 175 336</b>	<b>4 011 423</b>
<b>In-kind benefits</b>		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council-owned vehicle for official duties.		
The Mayor and Speaker have full-time drivers.		
The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.		
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	20 093 597	19 329 788
<b>30. Finance costs</b>		
Non-current borrowings	1 957 023	1 540 654
Trade and other payables	39 604	144 195
Finance leases	163 274	294 569
Unwinding costs on provisions	2 457 197	2 043 267
	<b>4 617 098</b>	<b>4 022 685</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 31. Debt impairment

Debt impairment	20 600 125	4 112 517
-----------------	------------	-----------

The municipality provides for expected credit losses relating to consumer debtors.

At the end of each reporting period, the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on a financial asset has occurred, the loss is recognised in surplus or deficit.

#### 32. Bulk purchases

Electricity	26 562 700	25 285 762
Water	5 467 614	3 052 208
	<b>32 030 314</b>	<b>28 337 970</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>33. General expenses</b>		
Advertising	359 664	240 913
Auditors remuneration	2 644 760	2 274 041
Bank charges	245 466	218 494
Cleaning	60 477	46 908
Computer expenses	267 540	-
Consulting and professional fees	819 631	593 267
Consumables	3 486	1 484
Entertainment	101 548	87 142
Insurance	401 724	329 532
Community development and training	154 410	-
Fuel and oil	1 936 096	1 650 574
Printing and stationery	1 055 950	714 452
Protective clothing	189 664	137 243
Royalties and license fees	254 019	541
Security (Guarding of municipal property)	21 292	-
Software expenses	1 956	-
Subscriptions and membership fees	1 120 620	1 191 926
Telephone and fax	857 312	714 828
Training	578 442	547 534
Travel - local	786 086	823 958
Radio and television licenses	35 461	14 519
Vehicle licences	74 878	73 019
Valuation costs	267 544	944 160
Sewerage assessment (Green Drop)	114 285	187 313
Operating grant expenditure	4 795 278	4 014 467
Water quality assessment (Blue Drop)	26 000	187 313
Internal audit expense	246 856	-
Other expenses	4 781 033	6 043 275
	<b>22 201 478</b>	<b>21 036 903</b>

Other expenses include the following amounts:

- Chemicals for water purification R 1 682 875
- Departmental Levies on Electricity R 1 456 682
- Payments made to the IDP R 379 903
- Ward Committee Members R 467 000
- Computer Support services R 282 467
- Branding of Offices R 158 158

### 34. Fair value adjustments

Other financial assets

- |  |        |        |
|--|--------|--------|
| • Other financial assets (Designated as at FV through P&L) | 19 919 | 74 075 |
|--|--------|--------|

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>35. Investment revenue</b>		
<b>Dividend revenue</b>		
Unlisted financial assets - Local	51 104	258 565
<b>Interest revenue</b>		
ABSA - current account	67 805	2 106
Interest - call accounts	1 375 675	417 192
Interest received - other	15 323	7 436
	<b>1 458 803</b>	<b>426 734</b>
	<b>1 509 907</b>	<b>685 299</b>
<b>36. Auditors' remuneration</b>		
Fees	2 644 760	2 274 041
<b>37. Cash generated from operations</b>		
Surplus	16 068 775	14 362 976
<b>Adjustments for:</b>		
Depreciation and amortisation	20 093 597	19 329 788
Loss on sale of assets and liabilities	(125 511)	70 153
Fair value adjustment on biological assets	84 191	(156 274)
Fair value adjustments	(19 919)	(74 075)
Finance costs - Finance leases	163 274	294 569
Debt impairment	20 600 125	4 112 517
Movements in retirement benefit assets and liabilities	18 000	81 000
Movements in provisions	3 702 124	2 822 486
Other non-cash items	(137 377)	(158 516)
<b>Changes in working capital:</b>		
Inventories	(150 132)	(53 235)
Receivables from exchange transactions	(363 404)	3 756 667
Consumer debtors	(37 420 263)	(5 428 036)
Other receivables from non-exchange transactions	2 167 988	2 143 151
Payables from exchange transactions	2 061 875	(6 198 994)
VAT	2 069 553	(2 841 271)
Unspent conditional grants and receipts	1 679 915	(2 546 130)
Consumer deposits	28 095	59 551
	<b>30 520 906</b>	<b>29 576 327</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 38. Commitments

##### Authorised capital and operational expenditure

###### Already contracted for but not provided for

• Property, plant and equipment	29 892 885	273 600
• Investment property	-	195 505
• Operational - contracts	2 449 508	-
• Operational - orders	504 540	-
	<b>32 846 933</b>	<b>469 105</b>

###### Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	-	37 207 962
---------------------------------	---	------------

This committed expenditure relates to a sewerage network and the upgrading of an electricity network. The Municipal Infrastructure Grant will be used to finance the sewerage network whilst the upgrading of the electricity network will be financed from own funding.

##### Operating leases - as lessee (expense)

###### Minimum lease payments due

- within one year	14 464	14 464
- in second to fifth year inclusive	12 054	26 518
	<b>26 518</b>	<b>40 982</b>

##### Operating leases - as lessor (income)

###### Minimum lease payments due

- within one year	640 496	662 737
- in second to fifth year inclusive	1 611 968	2 479 323
- later than five years	462 527	1 011 129
	<b>2 714 991</b>	<b>4 153 189</b>

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 to 20 years. There are no contingent rents receivable.

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 39. Risk management

##### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

##### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2 008 119	2 008 119	6 024 357	11 044 655
Finance lease obligation	387 460	11 977	-	-
Trade and other payables	18 483 568	-	-	-
At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	3 159 911	2 008 119	6 024 357	13 052 774
Finance lease obligation	636 931	360 974	-	-
Trade and other payables	16 421 679	-	-	-

##### Risk from biological assets

The municipality is exposed to financial risks arising from changes in game prices. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in game prices.

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 39. Risk management (continued)

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

##### Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed interest on DBSA loan	11.90 %	1 393 125	1 321 320	1 234 586	1 139 469	4 144 492

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Consumer balances outstanding for more than three months are reviewed for impairment and provided for as bad debts as applicable.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2014	2013
ABSA Bank - Cheque account	4 477 781	2 543 746
ABSA Bank - Money market account	1 620 042	1 540 638
Nedbank - 32 day notice account	-	22 288
FNB - Investment account	-	10 000 000
Consumer debtors	24 501 433	7 681 295
Receivables from exchange transactions	1 053 833	707 376
Investment in unlisted shares	917 100	897 182
ABSA Bank - 32 day notice account	4 087 093	-
ABSA Bank - 32 day notice account	113 691	-



## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 39. Risk management (continued)

##### Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

The table below summarises the impact of increases/decreases of the indexes on the municipality's surplus for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant and all the municipality's equity instruments moved according to the historical correlation with the index:

	Impact on post tax surplus in Rand		Impact on other components of equity in Rand	
	2014	2013	2014	2013
Financial instrument				
Senwes Limited shares	26 543	25 926	-	-
Senwesbel Limited	19 312	18 933	-	-

Surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

#### 40. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

#### 41. Unauthorised expenditure

Unauthorised expenditure - current year	1 781 896	1 981 775
Approval by council or condoned	-	(1 740 671)
	<b>1 781 896</b>	<b>241 104</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>42. Fruitless and wasteful expenditure</b>		
Fruitless and wasteful expenditure - current year	27 730	98 842
Approval by council or condoned	-	(98 842)
	<b>27 730</b>	<b>-</b>
<b>43. Irregular expenditure</b>		
Opening balance	2 672 537	2 076 997
Add: Irregular Expenditure - current year	1 071 595	1 743 720
Less: Amounts condoned	-	(1 148 180)
	<b>3 744 132</b>	<b>2 672 537</b>
<b>44. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	516 634	416 250
Amount paid - current year	(516 634)	(416 250)
	<b>-</b>	<b>-</b>
<b>Audit fees</b>		
Current year subscription / fee	2 574 623	2 255 197
Amount paid - current year	(2 574 623)	(2 255 197)
	<b>-</b>	<b>-</b>
<b>PAYE and UIF</b>		
Current year subscription / fee	5 960 620	5 258 747
Amount paid - current year	(5 960 620)	(5 258 747)
	<b>-</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	8 001 264	7 379 220
Amount paid - current year	(8 001 264)	(7 379 220)
	<b>-</b>	<b>-</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 44. Additional disclosure in terms of Municipal Finance Management Act (continued)

##### VAT

VAT receivable	772 684	801 756
VAT payable	2 091 920	51 439
	<b>2 864 604</b>	<b>853 195</b>

VAT returns were submitted by the due date during the 2013/2014 financial year.

##### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Matlakala, TA	214	2 306	2 520
Horn, C	5 870	32 635	38 505
Taedi, TT	214	4 041	4 255
	<b>6 298</b>	<b>38 982</b>	<b>45 280</b>

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Horn, C	-	26 765	26 765
Taedi, TT	-	9 702	9 702
	-	<b>36 467</b>	<b>36 467</b>

##### Bulk electricity and water distribution losses

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Management's best estimated value of bulk electricity and water distribution losses are as follows:

Distribution losses	2014 (Kwh)	2014 (%)	2013 (Kl)	2013 (%)
Electricity	2 824 450	10	3 205 004	11
Water	9 179 193	23	1 908 396	50
	<b>12 003 643</b>	<b>33</b>	<b>5 113 400</b>	<b>61</b>

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 45. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	11 852 258	13 542 563
------------------------------	------------	------------

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

#### 46. Related parties

Councillor Horn is currently leasing arable land from the municipality at R 11,739.15 per annum.

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 47. Prior period errors

##### Revenue

Grant income from Lotto was incorrectly understated by R 24 836 in the prior year. The correction resulted in an increase in the grant income of R 24 836.

Interest earned on ESKOM deposits were not accounted for in the prior year. The correction resulted in an increase in the interest received of R 7 439.

##### Expenditure

The provision for the medical contribution liability was tailored to correctly include employees still in service of the municipality. The correction resulted in increases of R 1 085 000, R 458 000 and R 423 000 in the actuarial loss, current service cost and finance charges respectively.

The provision for the long term service awards was tailored to correctly include employees still in service of the municipality. The correction resulted in increases of R 531 000 and R 13 000 in the actuarial gain and finance charges respectively and a decrease of R 17 000 in the current service cost.

A municipal asset was damaged in the 2012/2013 financial, but the impairment was not recognised previously in the annual financial statements. The correction resulted in an increase of R 3 291 in the loss on sale of assets and a decrease of R 754 in the depreciation charge.

Decreases in ESKOM deposits in 2011/2012 were not accounted for the previous year. The correction resulted in a decrease of accumulated surplus of R 28 182.

##### Current liabilities

The actuarial valuation of long term service awards was tailored to correctly include benefits based on basic salaries as well as benefits based on total packages. The correction resulted in a decrease of R 110 000 of the 2012/2013 current liability.

The provision for the medical contribution liability was tailored to correctly include employees still in service of the municipality. The correction resulted in an increase of R 284 000 of the 2012/2013 current liability.

Receivables were incorrectly understated by R 24 836 in the prior year. The amount pertained to a conditional grant from Lotto. The correction resulted in an increase in the receivable of R 24 836.

In 2012/2013 the payables amount was overstated by R 55 626. This was corrected as the amounts related to insurance income. The correction resulted in a decrease in the payables of R 55 626.

Interest earned on ESKOM deposits were not accounted for in the prior year. The correction resulted in an increase in the deposits of R 20 743.

##### Non-current liabilities

The provision for the medical contribution liability was tailored to correctly include employees still in service of the municipality. The correction resulted in an increase of R 6 904 000 of the 2012/2013 non-

## Tswelopele Local Municipality

(Registration number FS183)

Financial Statements for the year ended 30 June 2014

### Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

#### 47. Prior period errors (continued)

current liability.

The actuarial valuation of long term service awards was tailored to correctly include benefits based on basic salaries as well as benefits based on total packages. The correction resulted in a decrease of R 214 000 of the 2012/2013 non-current liability.

##### Current assets

Decreases in ESKOM deposits in 2011/2012 were not accounted for the previous year. The correction resulted in a decrease of the receivables of R 28 182.

##### Non-current assets

Three municipal assets were damaged in the 2012/2013 financial, but the derognition was not recognised previously in the annual financial statements. The correction resulted in a decrease of R 14 795 in the property, plant and equipment and a decrease of R 12 258 in the accumulated depreciation.

The correction of the error(s) results in adjustments as follows:

##### Statement of financial position

Property, plant and equipment	-	(14 795)
Accumulated depreciation	-	12 258
Provision	-	(6 690 000)
Current portion of provisions	-	(174 000)
Receivables	-	24 836
Payables	-	55 626
Opening Accumulated Surplus or Deficit	-	6 806 820
Receivables - deposits	-	28 182

##### Statement of Financial Performance

Actuarial (gain)/loss	-	554 000
Current service cost	-	441 000
Finance charges	-	436 000
Loss on sale of assets	-	3 291
Depreciation	-	(754)
Grant income	-	(24 836)
Interest received	-	(7 439)

#### 48. Contingencies

The municipality implemented the Categorisation and Job Evaluation Wage Curves Collective Agreement, dated 21 April 2010. The Independent Municipal and Allied Trade Union [IMATU] declared a dispute and the matter went to the Labour Court, where IMATU won the case in June 2012. SALGA appealed against the court order and the final outcome of the appeal was not known at the reporting date. There is uncertainty with regards to the contingent liability and the municipality is still awaiting the final outcome of the appeal.

**Tswelopele Local Municipality**

**Appendix A**

June 2014

**Schedule of external loans as at 30 June 2013**

Loan Number	Redeemable	Balance at 30 June 2013	Interest accrued during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
<b>Development Bank of South Africa</b>							
Loan 61000141		13 413 561	1 460 569	3 021 872	11 852 258	-	-
Loan 61002008		141 288	9 162	150 450	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		<b>13 554 849</b>	<b>1 469 731</b>	<b>3 172 322</b>	<b>11 852 258</b>	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
<b>Lease liability</b>							
Finance leases		997 905	201 130	799 598	399 437	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		<b>997 905</b>	<b>201 130</b>	<b>799 598</b>	<b>399 437</b>	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
<b>Total external loans</b>							

## June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Interest accrued during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
		-	-	-	-	-	-
		-	-	-	-	-	-
		13 554 849	1 469 731	3 172 322	11 852 258	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		997 905	201 130	799 598	399 437	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		<b>14 552 754</b>	<b>1 670 861</b>	<b>3 971 920</b>	<b>12 251 695</b>	<b>-</b>	<b>-</b>



**Tswelopele Local Municipality**  
**Tswelopele Local Municipality**  
**Appendix B**  
June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	25 941 254	-	-	-	-	-	25 941 254	(1 119 598)	-	-	(559 799)	-	(1 679 397)	24 261 857
Buildings (Separate for AFS purposes)	91 359 732	-	-	4 224 413	-	-	95 584 145	(30 264 210)	-	-	(4 888 937)	-	(35 153 147)	60 430 998
	<b>117 300 986</b>	<b>-</b>	<b>-</b>	<b>4 224 413</b>	<b>-</b>	<b>-</b>	<b>121 525 399</b>	<b>(31 383 808)</b>	<b>-</b>	<b>-</b>	<b>(5 448 736)</b>	<b>-</b>	<b>(36 832 544)</b>	<b>84 692 855</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	101 283 573	-	-	-	-	-	101 283 573	(42 719 140)	-	-	(4 812 414)	-	(47 531 554)	53 752 019
Transmission & Reticulation	32 155 547	-	-	-	-	-	32 155 547	(4 752 843)	-	-	(789 957)	-	(5 542 800)	26 612 747
Water purification	102 396 205	-	-	-	-	-	102 396 205	(25 477 905)	-	-	(4 092 626)	-	(29 570 531)	72 825 674
Sewerage purification	104 859 655	-	-	-	-	-	104 859 655	(11 020 828)	-	-	(3 487 547)	-	(14 508 375)	90 351 280
Waste Management	150 093	-	-	-	-	-	150 093	(134 491)	-	-	(10 033)	-	(144 524)	5 569
Other (work in progress)	8 013 975	28 169 424	-	(4 224 413)	-	-	31 958 986	-	-	-	-	-	-	31 958 986
	<b>348 859 048</b>	<b>28 169 424</b>	<b>-</b>	<b>(4 224 413)</b>	<b>-</b>	<b>-</b>	<b>372 804 059</b>	<b>(84 105 207)</b>	<b>-</b>	<b>-</b>	<b>(13 192 577)</b>	<b>-</b>	<b>(97 297 784)</b>	<b>275 506 275</b>
<b>Community Assets</b>														
Recreational facilities	4 899 257	-	-	-	-	-	4 899 257	(2 468 886)	-	-	(211 184)	-	(2 680 070)	2 219 187
Cemeteries	3 577 721	-	-	-	-	-	3 577 721	(980 653)	-	-	(163 181)	-	(1 143 834)	2 433 887
	<b>8 476 978</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 476 978</b>	<b>(3 449 539)</b>	<b>-</b>	<b>-</b>	<b>(374 365)</b>	<b>-</b>	<b>(3 823 904)</b>	<b>4 653 074</b>

## June 2014

### Analysis of property, plant and equipment as at 30 June 2014

Heritage assets  
Specialised vehicles  
Other assets

General vehicles  
Computer Equipment  
Furniture & Fittings  
Office Equipment  
Office Equipment - Leased  
Other

## June 2014

## Cost/Revaluation

**Total property plant and equipment**

Land and buildings	117 300 986	-	-	4 224 413	-	-	121 525 399	(31 383 808)	-	-	(5 448 736)	-	(36 832 544)	84 692 855
Infrastructure	348 859 048	28 169 424	-	(4 224 413)	-	-	372 804 059	(84 105 207)	-	-	(13 192 577)	-	(97 297 784)	275 506 275
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(3 449 539)	-	-	(374 365)	-	(3 823 904)	4 653 074
Other assets	14 774 042	1 230 815	(23 489)	-	-	-	15 981 368	(12 266 857)	13 253	-	(1 073 804)	-	(13 327 408)	2 653 960
	<b>489 411 054</b>	<b>29 400 239</b>	<b>(23 489)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>518 787 804</b>	<b>(131 205 411)</b>	<b>13 253</b>	<b>-</b>	<b>(20 089 482)</b>	<b>-</b>	<b>(151 281 640)</b>	<b>367 506 164</b>

### Agricultural/Biological assets

Biological assets - game	1 131 476	-	-	-	-	<b>53 198</b>	<b>1 184 674</b>	-	-	-	-	-	-	1 184 674
	<b>1 131 476</b>	-	-	-	-	<b>53 198</b>	<b>1 184 674</b>	-	-	-	-	-	-	<b>1 184 674</b>

### Intangible assets

Licences, software and website	18 685	68 500	-	-	-	-	87 185	-	-	-	-	(4 114)	(4 114)	83 071
	<b>18 685</b>	<b>68 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87 185</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4 114)</b>	<b>(4 114)</b>	<b>83 071</b>

### Investment properties

Investment property	23 876 000	-	-	-	-	-	23 876 000	-	-	-	-	-	-	23 876 000
	<b>23 876 000</b>	-	-	-	-	-	<b>23 876 000</b>	-	-	-	-	-	-	<b>23 876 000</b>

**Total**

Land and buildings	117 300 986	-	-	4 224 413	-	-	121 525 399	(31 383 808)	-	-	(5 448 736)	-	(36 832 544)	84 692 855
Infrastructure	348 859 048	28 169 424	-	(4 224 413)	-	-	372 804 059	(84 105 207)	-	-	(13 192 577)	-	(97 297 784)	275 506 275
Community Assets	8 476 978	-	-	-	-	-	8 476 978	(3 449 539)	-	-	(374 365)	-	(3 823 904)	4 653 074
Other assets	14 774 042	1 230 815	(23 489)	-	-	-	15 981 368	(12 266 857)	13 253	-	(1 073 804)	-	(13 327 408)	2 653 960
Agricultural/Biological assets	1 131 476	-	-	-	53 198	1 184 674	-	-	-	-	-	-	-	1 184 674
Intangible assets	18 685	68 500	-	-	-	87 185	-	-	-	-	-	(4 114)	(4 114)	83 071
Investment properties	23 876 000	-	-	-	-	23 876 000	-	-	-	-	-	-	-	23 876 000
	<b>514 437 215</b>	<b>29 468 739</b>	<b>(23 489)</b>	<b>-</b>	<b>-</b>	<b>53 198</b>	<b>543 935 663</b>	<b>(131 205 411)</b>	<b>13 253</b>	<b>-</b>	<b>(20 089 482)</b>	<b>(4 114)</b>	<b>(151 285 754)</b>	<b>392 649 909</b>

**Tswelopele Local Municipality**  
**Tswelopele Local Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	25 941 254	-	-	-	-	-	25 941 254	(559 799)	-	-	(559 799)	-	(1 119 598)	24 821 656
Buildings (Separate for AFS purposes)	82 488 261	162 649	-	-	-	-	82 650 910	(21 249 948)	-	-	(4 758 489)	-	(26 008 437)	56 642 473
	<b>108 429 515</b>	<b>162 649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108 592 164</b>	<b>(21 809 747)</b>	<b>-</b>	<b>-</b>	<b>(5 318 288)</b>	<b>-</b>	<b>(27 128 035)</b>	<b>81 464 129</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	83 060 025	-	-	18 223 548	-	-	101 283 573	(37 468 367)	-	-	(5 250 773)	-	(42 719 140)	58 564 433
Transmission & Reticulation	32 155 547	-	-	-	-	-	32 155 547	(3 962 886)	-	-	(789 957)	-	(4 752 843)	27 402 704
Water purification	102 376 527	-	-	19 678	-	-	102 396 205	(21 372 058)	-	-	(4 105 848)	-	(25 477 906)	76 918 299
Sewerage purification	41 230 360	-	-	63 629 295	-	-	104 859 655	(8 373 326)	-	-	(2 647 502)	-	(11 020 828)	93 838 827
Waste Management	150 093	-	-	-	-	-	150 093	(124 441)	-	-	(10 050)	-	(134 491)	15 602
Other (work in progress)	69 681 334	28 913 984	-	-	-	-	98 595 318	-	-	(90 581 343)	-	-	(90 581 343)	8 013 975
	<b>328 653 886</b>	<b>28 913 984</b>	<b>-</b>	<b>81 872 521</b>	<b>-</b>	<b>-</b>	<b>439 440 391</b>	<b>(71 301 078)</b>	<b>-</b>	<b>(90 581 343)</b>	<b>(12 804 130)</b>	<b>-</b>	<b>(174 686 551)</b>	<b>264 753 840</b>
<b>Community Assets</b>														
Recreational facilities	4 899 257	-	-	-	-	-	4 899 257	(2 125 002)	-	-	(253 884)	-	(2 378 886)	2 520 371
Cemeteries	3 577 721	-	-	-	-	-	3 577 721	(817 472)	-	-	(163 181)	-	(980 653)	2 597 068
	<b>8 476 978</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 476 978</b>	<b>(2 942 474)</b>	<b>-</b>	<b>-</b>	<b>(417 065)</b>	<b>-</b>	<b>(3 359 539)</b>	<b>5 117 439</b>

## June 2014

### Analysis of property, plant and equipment as at 30 June 2013

Heritage assets  
Specialised vehicles  
Other assets

General vehicles  
Computer Equipment  
Furniture & Fittings  
Office Equipment  
Office Equipment - Leased  
Other

## June 2014

## Cost/Revaluation

**Total property plant and equipment**

Land and buildings	108 429 515	162 649	-	-	-	-	<b>108 592 164</b>	(21 809 747)	-	-	(5 318 288)	-	<b>(27 128 035)</b>	81 464 129
Infrastructure	328 653 886	28 913 984	-	81 872 521	-	-	<b>439 440 391</b>	(71 301 078)	-	(90 581 343)	(12 804 130)	-	<b>(174 686 551)</b>	264 753 840
Community Assets	8 476 978	-	-	-	-	-	<b>8 476 978</b>	(2 942 474)	-	-	(417 065)	-	<b>(3 359 539)</b>	5 117 439
Other assets	14 156 251	1 207 557	(589 765)	-	-	-	<b>14 774 043</b>	(11 572 630)	365 244	-	(1 059 470)	-	<b>(12 266 856)</b>	2 507 187
	<b>459 716 630</b>	<b>30 284 190</b>	<b>(589 765)</b>	<b>81 872 521</b>	-	-	<b>571 283 576</b>	<b>(107 625 929)</b>	<b>365 244</b>	<b>(90 581 343)</b>	<b>(19 598 953)</b>	-	<b>(217 440 981)</b>	<b>353 842 595</b>

### Agricultural/Biological assets

Biological assets - game	816 680	183 014	-	-	156 274	<b>(24 492)</b>	<b>1 131 476</b>	-	-	-	-	-	-	1 131 476
	<b>816 680</b>	<b>183 014</b>	-	-	<b>156 274</b>	<b>(24 492)</b>	<b>1 131 476</b>	-	-	-	-	-	-	<b>1 131 476</b>

### Intangible assets

Licences, software and website	485 210	240 901	-	-	-	-	726 111	(473 119)	-	-	(234 308)	-	(707 427)	18 684
	<b>485 210</b>	<b>240 901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>726 111</b>	<b>(473 119)</b>	<b>-</b>	<b>-</b>	<b>(234 308)</b>	<b>-</b>	<b>(707 427)</b>	<b>18 684</b>

## Investment properties

Investment property	23 876 000	-	-	-	-	-	23 876 000	-	-	-	-	-	-	23 876 000
	<b>23 876 000</b>	-	-	-	-	-	<b>23 876 000</b>	-	-	-	-	-	-	<b>23 876 000</b>

**Total**

Land and buildings	108 429 515	162 649	-	-	-	-	<b>108 592 164</b>	(21 809 747)	-	-	(5 318 288)	-	<b>(27 128 035)</b>	81 464 129
Infrastructure	328 653 886	28 913 984	-	81 872 521	-	-	<b>439 440 391</b>	(71 301 078)	-	(90 581 343)	(12 804 130)	-	<b>(174 686 551)</b>	264 753 840
Community Assets	8 476 978	-	-	-	-	-	<b>8 476 978</b>	(2 942 474)	-	-	(417 065)	-	<b>(3 359 539)</b>	5 117 439
Other assets	14 156 251	1 207 557	(589 765)	-	-	-	<b>14 774 043</b>	(11 572 630)	365 244	-	(1 059 470)	-	<b>(12 266 856)</b>	2 507 187
Agricultural/Biological assets	816 680	183 014	-	-	156 274	(24 492)	<b>1 131 476</b>	-	-	-	-	-	-	1 131 476
Intangible assets	485 210	240 901	-	-	-	-	<b>726 111</b>	(473 119)	-	-	(234 308)	-	<b>(707 427)</b>	18 684
Investment properties	23 876 000	-	-	-	-	-	<b>23 876 000</b>	-	-	-	-	-	-	23 876 000
	<b>484 894 520</b>	<b>30 708 105</b>	<b>(589 765)</b>	<b>81 872 521</b>	<b>156 274</b>	<b>(24 492)</b>	<b>597 017 163</b>	<b>(108 099 048)</b>	<b>365 244</b>	<b>(90 581 343)</b>	<b>(19 833 261)</b>	-	<b>(218 148 408)</b>	<b>378 868 755</b>

# Tswelopele Local Municipality

## Appendix C

June 2014

### Segmental analysis of property, plant and equipment as at 30 June 2014

#### Cost

#### Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>														
Executive & Council/Mayor and Council	409 768 130	4 584 914	-	-	-	-	<b>414 353 044</b>	(106 281 827)	-	-	(17 148 866)	-	<b>(123 430 693)</b>	290 922 351
Finance & Admin/Finance	2 083 769	401 209	(3 050)	-	-	-	<b>2 481 928</b>	(1 434 276)	3 050	-	(385 392)	-	<b>(1 816 618)</b>	665 310
Planning and Development/Economic Development/Plan	738 322	128 897	(18 014)	-	-	-	<b>849 205</b>	(642 517)	7 778	-	(122 376)	-	<b>(757 115)</b>	92 090
Comm. & Social/Libraries and archives	33 437 474	13 410	(2 426)	-	-	-	<b>33 448 458</b>	(13 431 527)	2 426	-	(1 562 559)	-	<b>(14 991 660)</b>	18 456 798
Road Transport/Roads	9 428 129	326 798	-	-	-	-	<b>9 754 927</b>	(8 295 666)	-	-	(340 776)	-	<b>(8 636 442)</b>	1 118 485
	<b>455 455 824</b>	<b>5 455 228</b>	<b>(23 490)</b>	-	-	-	<b>460 887 562</b>	<b>(130 085 813)</b>	<b>13 254</b>	-	<b>(19 559 969)</b>	-	<b>(149 632 528)</b>	<b>311 255 034</b>
<b>Total</b>	<b>455 455 824</b>	<b>5 455 228</b>	<b>(23 490)</b>	-	-	-	<b>460 887 562</b>	<b>(130 085 813)</b>	<b>13 254</b>	-	<b>(19 559 969)</b>	-	<b>(149 632 528)</b>	<b>311 255 034</b>

# Tswelopele Local Municipality

## Appendix D

June 2014

### Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
3 267 417	32 091 147	(28 823 730)	Executive & Council/Mayor and Council	3 108 963	33 804 905	(30 695 942)
45 816 262	19 351 482	26 464 780	Finance & Admin/Finance	33 419 161	38 724 810	(5 305 649)
1 442 777	4 605 134	(3 162 357)	Planning and Development/Economic Development/Plan	334 985	5 750 871	(5 415 886)
5 362 565	10 579 950	(5 217 385)	Comm. & Social/Libraries and archives	6 233 269	12 258 251	(6 024 982)
972 360	1 034 173	(61 813)	Public Safety/Police	1 236 025	1 164 892	71 133
607 650	1 361 631	(753 981)	Sport and Recreation	73 443	694 373	(620 930)
11 143 325	5 426 578	5 716 747	Environmental Protection/Pollution Control	11 883 570	6 735 969	5 147 601
17 617 799	8 280 645	9 337 154	Waste Water Management/Sewerage	17 846 369	9 921 048	7 925 321
17 729	10 838 728	(10 820 999)	Road Transport/Roads	26 715 584	10 877 715	15 837 869
18 782 862	8 128 828	10 654 034	Water/Water Distribution	31 595 047	8 956 757	22 638 290
36 403 970	25 373 445	11 030 525	Electricity /Electricity Distribution	38 138 315	25 626 367	12 511 948
<b>141 434 716</b>	<b>127 071 741</b>	<b>14 362 975</b>		<b>170 584 731</b>	<b>154 515 958</b>	<b>16 068 773</b>
<b>Municipal Owned Entities Other charges</b>						
141 434 716	127 071 741	14 362 975	Municipality	170 584 731	154 515 958	16 068 773
<b>141 434 716</b>	<b>127 071 741</b>	<b>14 362 975</b>	<b>Total</b>	<b>170 584 731</b>	<b>154 515 958</b>	<b>16 068 773</b>



**Budget Analysis of Capital Expenditure as at 30 June  
2014**

	<b>Additions</b>	<b>Revised Budget</b>	<b>Variance</b>	<b>Variance</b>	<b>Explanation of significant variances from budget</b>
	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>%</b>	
<b>Municipality</b>					
Executive & Council/Mayor and Council	4 584 914	4 584 914	-	-	
Finance & Admin/Finance	401 209	401 209	-	-	
Planning and Development/Economic Development/Plan	128 897	128 897	-	-	
Comm. & Social/Libraries and archives	13 410	13 410	-	-	
Road Transport/Roads	326 798	326 798	-	-	
Other/Air Transport	-	-	-	-	
	<b>5 455 228</b>	<b>5 455 228</b>	<b>-</b>	<b>-</b>	
<b>Municipal Owned Entities</b>	<b>31 959</b>	<b>-</b>	<b>(31 959)</b>	<b>-</b>	

Tswelopele Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld				
		Jun									Jun					
Other grants (EPWP, SDG, DMG, FSPG, SG,S&RG) Equitable Share Municipal Systems Improvement Grant Finance Management Grant Municipal Infrastructure Grant		6 349 135	-	-	-	-	-	-	-	-	4 669 220	-	-	-	-	
		61 909 000	-	-	-	-	-	-	-	-	61 909 000	-	-	-	-	
		890 000	-	-	-	-	-	-	-	-	890 000	-	-	-	-	
		1 650 000	-	-	-	-	-	-	-	-	1 650 000	-	-	-	-	
		28 809 000	-	-	-	-	-	-	-	-	28 809 000	-	-	-	-	
		99 607 135	-	-	-	-	-	-	-	-	97 927 220	-	-	-	-	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.